

# **Overview of Governor Locke's 2005-07 Biennial Operating and Capital Budget Proposals; and 2005 Supplemental Proposal**



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# 2005-07 OPERATING BUDGET

## Overview

The Governor provides two alternative spending proposals: a spending plan balanced within "current revenue," commonly called the "Book 1" budget, and a second budget that raises taxes and provides an alternative spending plan, known as "Book 2" or "new revenue." First, the "current revenue" budget proposal is explained. In a separate section, the Governor's proposal to raise revenue and modify the spending plan in light of the "new revenue" is discussed.

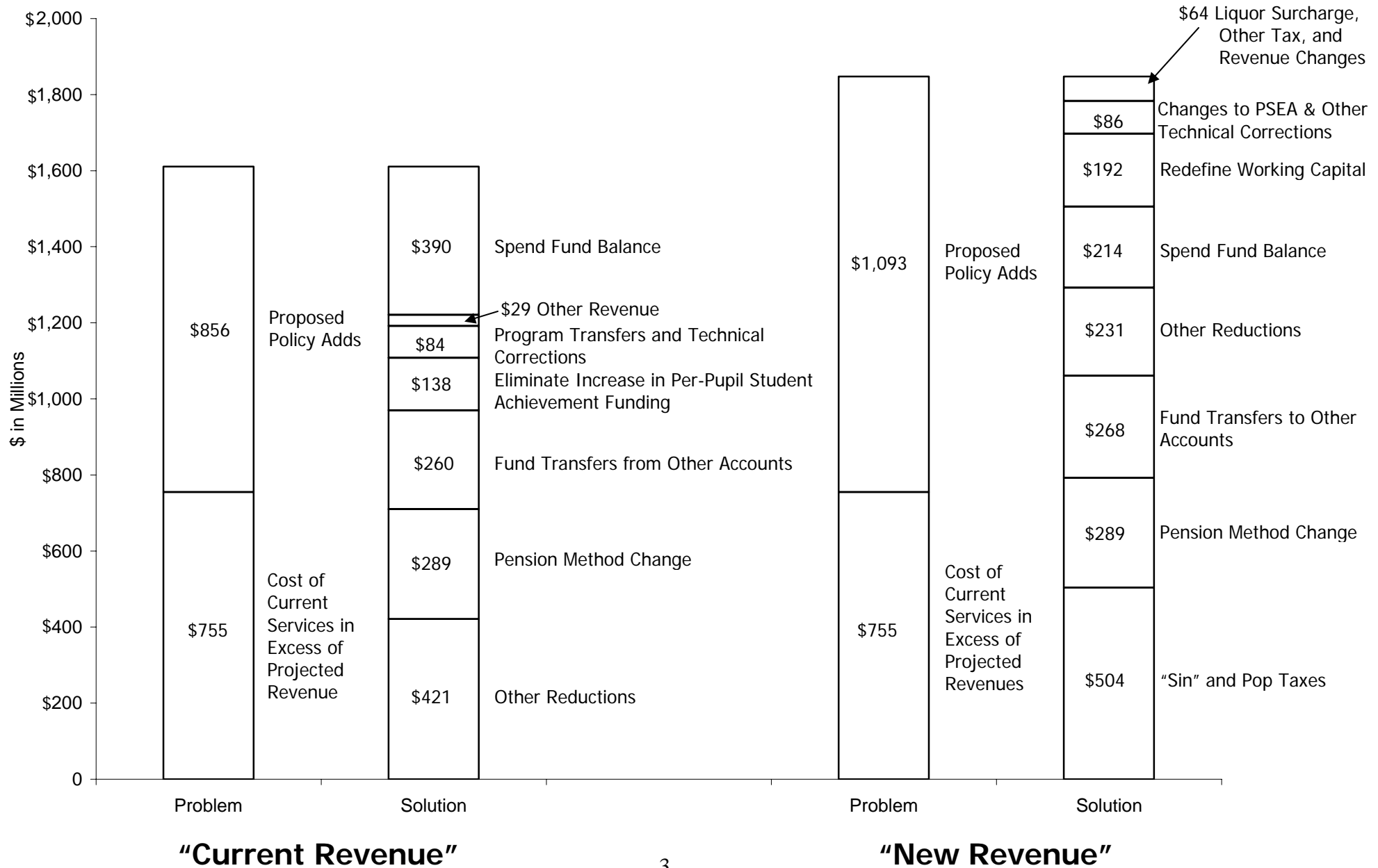
In developing the 2005-07 biennial general fund budget, the Governor was faced with a projected \$1.6 billion deficit. This amount includes the cost of maintaining current services; \$520 million to fund collective bargaining agreements with unions representing state employees and provide similar compensation adjustments for non-represented employees; and \$336 million of other additional policy increases. More detail is provided below.

Two significant items are not addressed in the Governor's proposal. First, the state actuary estimates that pension contributions should be increased by \$175 million to fund the gain share benefit added to Plans 1 and 3 in the 1998 session. Funding has not been provided for this previously. Second, under new federal rules that take effect in January, Washington will no longer be able to use federal funds to pay for people and services not eligible for Medicaid. This will result in the loss of \$41 million per year that has been used to provide a broad array of community mental health services -- including crisis response, community psychiatric hospitalization, and residential care -- to approximately 50,000 people per year. The Governor's budget does not propose replacing any of this lost funding.

To solve the \$1.6 billion budget problem within "current revenues," the Governor's proposal relies on the following strategies:

- Reduce pension contributions by \$289 million. He proposes three changes to accomplish this: 1) modify the valuation method, 2) allow more time to fund the Plan 1 unfunded liability, and 3) explicitly defer part of the contribution from 2005-07 to the following biennium.
- Reduce the cost of current services by \$421 million. Several reductions are proposed including: 1) eliminate GA-U cash grants, 2) change sentencing standards, 3) eliminate BHP coverage for adults over 140% of the poverty level, and 4) reduce levy equalization.
- Eliminate the scheduled increase in the per-pupil funding from the Student Achievement Account by \$138 million.
- Transfer \$260 million from other accounts.

# Governor Locke Budget Proposals



## ———— 2005-07 “NEW REVENUE” PROPOSAL ————

The Governor provides a “new revenue” budget proposal composed of additional taxes, an alternative treatment of reserves, and an alternative spending plan.

### “New Revenue” Proposal

The Governor proposes the following tax increases (dollars in millions):

|  |                |
|--|----------------|
| Double the beer excise tax (\$.05 per 12oz can)      | \$64.8         |
| Double the wine excise tax (\$.35 per 750ml bottle)  | \$37.2         |
| Increase the liquor sales tax by 5 percentage points | \$38.2         |
| Increase the liquor liter tax by \$1                 | \$62.8         |
| Soft drink tax – 5 cents per 12oz                    | <u>\$300.6</u> |
| <b>Total</b>   | <b>\$503.6</b> |

Additionally, the governor proposes a 1% gross receipts tax on physician services that will generate \$94 million.

In 2003, a 42 cent per liter surcharge on spirits was added to generate an additional \$14 million. This surcharge is set to expire in March 2005. The governor continues this surcharge, resulting in a revenue increase of \$18.3 million.

### Working Capital and Ready Reserve Legislation

The Governor proposes legislation to change the definition of Working Capital Reserve (WCR). WCR is an accounting concept where an amount equal to revenues accrued at the end of a fiscal year is designated as not available for spending. The amount presently set aside is \$964 million. This proposal would reduce the amount set aside to \$772 million. The difference of \$192 million is deposited into the newly created “Ready Reserve.”

The new "Ready Reserve" account is established as a separate account outside the general fund. In addition to the \$192 million from above, the budget proposes transferring the remaining \$93 million of general fund balance into the "Ready Reserve," for a grand total of \$285 million.

## **Budget Driven Revenue**

### Liquor Control Board

The Governor proposes an increased shipping capacity of products through an expansion of the distribution center and adding additional material handling equipment and staff. This action generates \$8.9 million in general fund revenues. Additionally, the Governor's budget reduces the agency request budget by approximately \$4.8 million, causing an increase to the general fund of \$2.4 million.

## **Agency Request Legislation**

### Department of Revenue

In the 2004 session, the Legislature passed HB 2546, which changed the formula used for calculating the High Technology B&O tax credit. The Department of Revenue discovered an error in the legislation that created an unintentional increase in the amount of credit allowed. The proposed bill to correct this will have a positive impact to the general fund of \$22.4 million.

### Other Agencies

Other agency request legislation results in a net increase of \$13.1 million.

# The “New Revenue” Spending Proposal – Book Two

The Governor uses the additional revenue to increase spending from the near general fund (the general fund, the student achievement account, the health services account, VRDE, and PSEA) by \$653 million. He uses the additional revenue to: 1) restore funding for some items in his current services budget, and 2) to make additional policy enhancements.

## **Restored Reductions in the “Current Revenue” Budget (dollars in millions)**

|  |       |                |
|--|-------|----------------|
| <b>Public Schools</b>                            |       | <b>\$172.3</b> |
| • Increase in the per-pupil funding under 728    | 138.2 |                |
| • Levy Equalization                              | 34.1  |                |
| <b>Human Services</b>                            |       | <b>\$204.9</b> |
| • Eliminate GA-U cash grant                      | 114.3 |                |
| • Medicaid Personal Care Eligibility Adjustments | 24.6  |                |
| • Optional Adult Dental                          | 17.1  |                |
| • Basic Health: Adults >140% Poverty             | 49.0  |                |
| • Community Clinic Grants                        | 5.9   |                |

## **New Enhancements (dollars in millions)**

|                                     |      |                |
|-------------------------------------|------|----------------|
| <b>Higher Education</b>             |      | <b>\$120.8</b> |
| <b>Human Services</b>               |      | <b>\$108.1</b> |
| • Service Rate Increase             | 51.9 |                |
| • Maintain WorkFirst Program        | 40.0 |                |
| • Increase ECEAP                    | 10.0 |                |
| • Childrens IT Infrastructure Needs | 6.2  |                |
| <b>Public Schools</b>               |      | <b>\$20.2</b>  |
| <b>Other</b>                        |      | <b>\$26.7</b>  |
| <b>TOTAL</b>                        |      | <b>\$652.9</b> |

# FUNCTIONAL AREA HIGHLIGHTS FOR 2005-07 SPENDING PROPOSAL

## Compensation

### Reductions in the "Current Revenue" Budget

#### Pension Contributions

Legislation accompanying the Governor's proposed budget makes several significant changes to the way pension contributions are calculated and paid. These include the adoption of the projected unit credit method of actuarial valuation; the suspension of payments toward the unfunded liabilities in Plan 1 of the Public Employees' and Teachers' Retirement Systems during the 2005-07 biennium; and the deferral of a portion of the remaining rate increases until the 2007-09 biennium. -- Savings of \$289 million GF-S and \$78 million in other funds.

### Enhancements in the "Current Revenue" Budget

All policy changes in compensation are the same in both the "current revenue" and "new revenue" budget proposals. Compensation increases total \$830 million.

#### Collective Bargaining Agreements

Funding is provided to pay for the cost-of-living adjustments, salary survey increases, and other salary items included in the collective bargaining agreements negotiated with labor unions by the Governor and institutions of higher learning. Only those collective bargaining agreements which were submitted to the Office of Financial Management by October 1 were funded. Typical cost-of-living adjustments provided are 3.2% in FY 06 and 1.6% in FY 07. -- \$105 million GF-S and \$81 million in other funds.

## Salary Increases for Non-Represented Employees

Funding is provided to provide employees not represented in the collective bargaining process with cost-of-living adjustments and salary survey increases comparable to those provided in the collective bargaining agreements negotiated by the Governor and by those institutions of higher learning with labor unions. -- \$118 million GF-S and \$129 million in other funds.

## Health Care Benefits

For state employees, the monthly employer funding rate for state employees is increased from \$585/employee in FY 05 to \$663/employee in FY 06, with the goal of holding the average employee contribution to 12% of the cost of medical benefits. In FY 07, the funding rate is \$744/employees covered by collective bargaining agreements and \$618/non-represented employees. Surplus state funds will be used to make up the difference between the two funding rates so that both groups of employees will be funded at the same level and receive the same level of benefits. The monthly allocation to K-12 school districts for employee health benefits is \$663/employee in the 2005-06 school year. In the 2006-07 school year, this is increased to \$689/employee. -- \$286 million GF-S and \$90 million in other funds.

## Performance Pay

Funds are provided in FY 07 for performance recognition awards for state employees, except those in institutions of higher education or those represented by a bargaining unit. -- \$8.2 million GF-S and \$5.5 million in other funds.

## \*I-732 COLAs

*Both the Governor's "current revenue" and "new revenue" budget proposals provide funds in the maintenance level for cost-of-living salary adjustments for K-12 school district employees and some community and technical college employees, as required by Initiative 732. The COLA rates are 1.1% for the 2005-06 school year and 1.4% for the 2006-07 school year.*



# K-12 Education

## Reductions in the “Current Revenue” Budget

- Eliminate the Initiative 728 step up during the 2005-07 biennium, resulting in the distributions remaining at \$254 per student both years -- \$138.2 million savings. *[Funding restored in the “new revenue” budget]*
- Reduce levy equalization payments to school districts by approximately 11.4 percent -- \$34.1 million savings. *[Funding restored in the “new revenue” budget]*
- Eliminate the Academic Achievement and Accountability Commission and make other changes to K-12 governance -- \$439,000 savings.

## Enhancements in the “Current Revenue” Budget

- Change the Learning Assistance Program formula to one entirely based on poverty, resulting in a net increase of funding -- \$41.5 million.
- Provide additional funding for increased payments to the Attorney General’s Office associated with an on-going lawsuit dealing with special education funding -- \$1.1 million.

## Increases in the “New Revenue” Budget

- Establish a new regional professional development program in math and reading -- \$5.6 million.
- Fund the replacement of the current K-12 payment system and the development of a new core student record system -- \$4.7 million.
- Provide funding for the development of options for alternative assessments for students not meeting standards on the Washington Assessment of Student Learning (WASL), for school districts to offer a late-August or fall re-take opportunity, and for additional teacher scoring of the WASL -- \$3.8 million.
- Provide, via the Superintendent of Public Instruction, allocations to districts for dual credit (high school and higher education) programs -- \$2.1 million.

- Provide school improvement assistance, less intensive than those in the Focused Assistance program, to 40 additional schools -- \$2 million.

## Higher Education

### **Reductions in the “Current Revenue” Budget**

- There are no reductions in the Governor’s “current revenue” budget.

### **Enhancements in the “Current Revenue” Budget**

- Increase tuition for resident undergraduates and community college students by 5% per year; institutions are authorized to increase an additional 4% each year, provided that all financial aid impacts of tuition increases greater than 5 percent per year shall be borne by the colleges and universities.
- Provide \$20.7 million for the State Need Grant to increase the grant award amount sufficient to offset tuition increases of 5% per year.

### **Increases in the “New Revenue” Budget**

#### Enrollments

Provide a total of \$83.9 million for new enrollments (with the exception of the research institutions):

- \$15.6 million for 1,861 general enrollments at the comprehensive institutions
- \$41.9 million for 3,633 general enrollments at the community and technical colleges – includes \$5 million each for Adult Basic Education and Job Skills
- \$26.4 million for high-demand enrollments at the 4-year schools

### Financial Aid

- Provide \$12.1 million for the state need grant to cover new general enrollments and fund a portion of the current unserved students.
- Provide \$17.2 million for the Promise Scholarship which includes expanding access to the top 20% of the high school graduating class; grants would fund 75% of community college tuition.

### Research

- Provide \$5 million for research institutions

## **Human Services (including the Basic Health Plan)**

### **Reductions in the “Current Revenue” Budget**

#### DSHS - General

- Reduce regional support staff at a comparable level to administrative staff reductions taken in centralized administration since 2001-2003 biennium -- \$6.4 million savings.
- Eliminate funding increases for the majority of lease rate adjustments, medical inflation, and equipment replacement costs -- \$10.1 million savings.

#### DSHS - Medical Assistance

- Contract with a private firm to negotiate with manufacturers for additional rebates on the price of their drugs. This is expected to result in a 43% increase over the amount manufacturers are currently required by federal law to provide -- \$53.0 million savings.
- Eliminate most non-emergency dental services for Medicaid adults -- \$17.1 million savings. ***[Funding restored in the “new revenue” budget]***

- Employ eight additional staff to supervise the use of medical services by recipients who make extensive use of emergency rooms or multiple health care providers. This is expected to reduce expenditures by \$12 for every dollar spent on staffing -- \$8.5 million savings.
- Eliminate the "Medicaid Buy-In" program under which working adults with disabilities pay a monthly premium for subsidized Medicaid coverage -- \$8.3 million savings.
- Reduce payments to support graduate medical education at the state's teaching hospitals by 15% -- \$4.3 million.
- Tighten, and more closely monitor, standards under which patients can qualify for special medical nutrition, reducing expenditures by an estimated 30% -- \$2.6 million savings.

#### DSHS - Long-Term Care

- Reduce nursing home payment rates by an average of 5.9% -- \$37.6 million savings.
- Reduce Personal Care assistance for elderly and disabled adults by about 15% -- \$22.2 million savings.  
***[Funding restored in the "new revenue" budget]***

#### Health Care Authority

- Eliminate Basic Health Plan coverage for 17,000 adults with incomes over 140% of the poverty level effective January 2006 -- \$48.8 million savings. ***[Funding restored in the "new revenue" budget]***
- Reduce grants to community clinics that provide free and reduced-cost medical care to low-income people by 50% -- \$11.7 million savings. ***[\$5.6 million restored in the "new revenue" budget]***

#### DSHS - Children's Administration

- Eliminate funding for the Secure Crisis Residential Centers -- \$9.3 million savings.

#### DSHS - Developmental Disabilities

- Modify criteria for activities of daily living for Medicaid personal care clients -- \$2.3 million savings.  
***[Funding restored in the "new revenue" budget]***

#### DSHS - Economic Services

- Eliminate most general assistance program cash grants -- \$114.3 million savings. ***[Funding restored in the "new revenue" budget]***

#### DSHS - Administration and Supporting Services

- Eliminate Family Policy Council and prevention funding provided to local networks -- \$6.6 million savings.

### **Enhancements in the "Current Revenue" Budget**

#### DSHS - Alcohol and Substance Abuse

- Provide funding for treatment of 10,000 Medicaid-eligible adults in FY 2006 and an additional 20,000 in FY 2007. A roughly equivalent level of savings is assumed in medical assistance, long-term care, and mental health, from an estimated reduction for emergency services in these areas. -- \$34 million

#### DSHS - Mental Health

- Increase payment rates for Regional Support Networks and other community mental health providers by 1.5% the first year of the biennium, and by 2.0% the second -- \$11.6 million state cost.
- Open a new ward at Western State Hospital to treat mentally ill criminal offenders and employ additional staff to conduct outpatient evaluations of competency to stand trial -- \$8.0 million state cost.
- Increase rates paid to certain hospitals for psychiatric care of medically indigent persons not covered by Medicaid. This increase, approximately triple of current rates, would apparently not apply to hospitals specializing in psychiatric care, or to those with separate psychiatric units. -- \$6.3 million state cost.

#### DSHS - Long-Term Care

- Increase payment rates for adult family homes, assisted living facilities, and other residential care facilities (except nursing homes) by 1.5% in the first year of the biennium, and by 2.0% in the second.

### DSHS - Children's Administration

- Provide partial funding for *Kids Come First II* to reform CPS/CWS system and improve quality assurance and training activities -- \$19.2 million.
- Increase vendor rates for foster care and family support services -- \$7.6 million.

### DSHS - Developmental Disabilities

- Increase vendor rates for residential service providers, the voluntary placement program and some personal care services -- \$7.6 million.
- Provide funding for 145 new placements for at-risk individuals in need of a placement or who are discharged or diverted from state psychiatric hospitals -- \$9.1 million.
- Provide funding to close Fircrest School by moving residents to the community or a different state-operated residential habilitation center -- \$2.8 million.

### Homecare Workers Collective Bargaining Agreement

- Increase compensation for the approximately 23,000 homecare workers who contract individually with the state. This would include 25-cent hourly wage increases each year; 12% annual increases in the state's contribution to their medical coverage; and a new state contribution toward the cost of dental and vision coverage. The Governor's budget also proposes \$5.7 million to implement various administrative aspects of the agreement, such as state withholding of worker income taxes, and computer systems to track hours worked for accrual of vacation leave and longevity increases – \$32.2 million state cost.

## **Increases in the "New Revenue" Budget**

### DSHS - Medical Assistance

- Increase payment rates for physicians and related services by an average of about 20% – \$52.2 million state cost.
- Increase payment rates for labor and delivery and pediatric care services – \$15.0 million state cost.

- Continue cost-free medical coverage for children with family incomes below 200% of poverty, rather than charging \$10 per month – \$7.1 million state cost.
- Provide 12 months continuous eligibility for children, rather than reviewing eligibility every 6 months – \$8.6 million state cost.

#### DSHS - Economic Services

- Provide funding to maintain current activities of the WorkFirst Program -- \$40 million.
- Increase funding to serve 500 more children and increase ECEAP vendor rates -- \$10 million.
- Provide targeted vendor increase to child care providers -- \$17.5 million.

#### DSHS - Administration and Supporting Services

- Fund programming, computer consulting, and ongoing customer service costs to implement Home Care Workers contracts -- \$3.9 million

## **Criminal Justice**

### **Reductions in the “Current Revenue” Budget**

#### Department of Corrections

Proposed Legislation would enact the following changes:

- Allow partial confinement options such as electronic monitoring, work release, and residential drug treatment to be used for the last 12 months of an offender’s sentence, rather than the current six months, for non-violent, non-sex offenders. This is projected to reduce average daily prison population by more than 2,000 for the biennium, and applies to offenders already in prison, as well as future offenders. -- \$38.1 million savings.

- Create a new sentencing grid for property crimes that lowers standard sentences and allows alternatives to incarceration for offenders assessed as low risk. The estimated reduction to average daily prison population is more than 800 for the biennium. -- \$18.8 million savings.
- Extend 50% early release time to all offenders assessed as low risk, including those with current or prior convictions of crimes against persons, felony domestic violence, residential burglary, manufacturing or selling methamphetamine, or dealing to a minor. This is estimated to reduce average daily prison population by 200 for the biennium. -- \$9.1 million savings.
- Eliminate community supervision for all offenders assessed as low risk. This would eliminate supervision for 4,600 offenders convicted of certain misdemeanors, crimes against a person, felony domestic violence, residential burglary, and certain drug crimes involving methamphetamine or dealing to minors. -- \$8.7 million savings.

## **Enhancements in the “Current Revenue” Budget**

### Department of Corrections

- Provide funding to continue to develop the Offender Management Network Information system (OMNI), a replacement to the legacy system currently used by the Department. -- \$22.5 million.
- Provide funding to add staff to comply with the terms of the Interstate Compact on Offender Supervision. The Compact ensures that Washington is notified when out-of-state offenders move into Washington, so that supervision may continue. In exchange, other states supervise Washington offenders moving to their states. The Compact terms require the Department to supervise certain misdemeanants that it has not previously supervised. -- \$7 million.

### Juvenile Rehabilitation

- Provide funding for additional mental health services for juvenile offenders in state institutions, and for quality assurance measures on institutional mental health programs. -- \$3.2 million.



### Office of Public Defense

- Provide funding for statewide implementation of the indigent parents' dependency and termination representation program. Currently the program provides legal advocacy and casework to families only in Pierce, Benton, and Franklin counties -- \$13.6 million.

### Administrative Office for the Courts

- Provide funding to continue development of the Judicial Information System, the statewide court case management system for all court levels in the state, and to replace aging computers and printers for local courts. \$9.7 million in dedicated funds are also provided for this purpose. -- \$9.2 Million.

### Washington State Patrol

- Provide funding to hire forensic scientists and purchase equipment for the newly constructed crime labs in Spokane and Vancouver, and to add forensic scientists for convicted offender DNA analysis. -- \$5.2 million.

## **Natural Resources and Other Agencies**

### **Reductions in the "Current Revenue" Budget**

- Eliminate funding for general inflation in all agencies resulting in \$15.4 million in general fund savings.
- Reduce the cost of purchasing, processing, and inventory of equipment and supplies, resulting in \$25 million in savings across state government.
- Reduce the state hatchery program, resulting in \$408,000 in savings.

## **Enhancements in the “Current Revenue” Budget**

- Transfer \$12 million from General-Fund State into PSEA. No across-the-board cuts are made, but some specific program cuts are made in DSHS (see reductions in previous sections).
- Incorporate a one-time \$9 million increase to settle claims involving tribal rights to shellfish.

## ————— 2005 SUPPLEMENTAL BUDGET —————

The 2003-05 general fund biennial budget is currently \$23.2 billion. The Governor proposes a \$160.5 million general fund-state supplemental budget, bringing the biennial appropriation to \$22.4 billion and leaving \$499.6 million in reserves for the 2005-07 biennium.

Included in the supplemental budget is \$83.1 million for increased caseloads and utilization in medical assistance; \$26.1 million for Mental Health, including \$19.4 million for non-Medicaid clients served in the community; \$15 million for Economic Services, primarily for increased caseloads in the General Assistance program; \$14.6 million for public school transportation costs; \$13 million for Department of Corrections, including \$8 million for two lawsuits; \$9 million to backfill the PSEA account; and \$8.6 million for additional fire suppression costs.

| <b>2004 Supplemental Budget Adjustments</b><br>(dollars in Millions)   |                |
|--|----------------|
| Medical Assistance   | \$83.1         |
| Mental Health  | 25.9           |
| General Assistance Caseloads and other Economic Assistance Adjustments | 15.0           |
| Public School Transportation   | 14.6           |
| Department of Corrections  | 13.0           |
| PSEA Shortfall   | 9.0            |
| Emergency Fire Suppression   | 8.6            |
| All other Adjustments  | <u>-8.7</u>    |
| <b>TOTAL</b>   | <b>\$160.5</b> |

# **SUMMARY OF GOVERNOR LOCKE'S PROPOSED 2005-07 BIENNIAL CAPITAL BUDGET**

The \$2.8 billion in new appropriations in the Governor's 2005-07 Capital Budget is financed by \$1.4 billion in borrowing plus \$1.4 billion in dedicated cash accounts. The \$2.8 billion total is distributed among functional areas as follows:

- Higher Education -- \$870 million, 31%
- Natural Resources -- \$763 million, 27%
- Governmental Operations -- \$522 million, 18%
- Public Schools -- \$436 million, 15%
- Human Services -- \$213 million, 8%
- All Other -- \$20 million, 1%

## **\$1.4 Billion of Bonds**

The Governor's budget includes about \$1.4 billion of bonds, including \$267 million in Gardener-Evans bonds that were previously authorized. This is similar to the level of borrowing that supports the 2003-05 capital budget. Projecting this level of borrowing into future biennia would put future capital budgets within the 9% constitutional debt limit.

The bond part of the budget is distributed among the functional areas as follows:

- Higher Education -- \$676 million, 48%
- Natural Resources -- \$247 million, 18%
- K-12 Construction -- \$168 million, 12%
- Human Services -- \$155 million, 11%
- Governmental Operations -- \$133 million, 9%
- All Other -- \$20 million, 1%

## K-12 Construction

The Governor's budget appropriates a total of \$433.8 million for K-12 construction assistance grants. This amount includes an additional \$30.7 million for a proposed area cost allowance enhancement to the current matching formula to help offset the difference between actual and state formula construction costs of schools and \$1.6 million for equipment for Skills Centers. To support this level of spending, the Governor's budget includes \$167.5 million in bond funds to augment other fund sources dedicated to K-12 capital construction.

The Governor's budget also includes \$10.5 million for the second phase of a school mapping and safety project begun in the 2003-05 biennium and \$750,000 for the Chewelah Peak Environmental Learning Center.

## Higher Education

The Governor proposes \$676 million in bonds for higher education facilities. In the previous five biennia, community and technical colleges have received an ever-increasing percentage of the higher education capital budget (state bonds). Continuing that trend, the Governor's proposal for 2005-07 provides 57% of the higher education state bonds to the community and technical colleges. State bond funds are distributed as follows:

- University of Washington -- \$72 million, 10.7%
- Washington State University -- \$43 million, 13.1%
- Eastern Washington University -- \$30 million, 4.6%
- Central Washington University -- \$10 million, 1.6%
- The Evergreen State College -- \$28 million, 4.2%
- Western Washington University -- \$63 million, 9.3%
- Community/Technical College System-- \$383 million, 56.6%

Major projects include: UW Architecture Hall and Guggenheim Hall renovation, WSU Biotechnology/Life Sciences #2, Daniel J. Evans Building Modernization at The Evergreen State College, WWU Academic Instructional Center, Everett Glacier/Pilchuck Construction, Green River Science Building Construction, Lower Columbia Fine Arts Center Replacement, Peninsula Library Renovation and Science & Technology Building Replacement, Spokane Falls Business

and Social Science Replacement, Tacoma Science Building, Wenatchee Anderson Hall Replacement, and Yakima Valley Glenn/Anthony Hall Replacement.

## Other Items

The Governor's proposed capital budget also provides:

- \$82 million for the Department of Corrections; including \$3 million for preparation and management of a request for proposal to privately finance, build, and possibly operate a new 2,000-bed medium-security prison. (This is a departure from the history of financing prison construction with state bonds and may lead to the first major contracted state service under the personnel system reform act of 2002.)
- \$21 million for the final phase for added capacity at the special commitment center on McNeil Island.
- \$80 million for housing assistance, weatherization, and affordable housing.
- \$18 million for a Columbia River Initiative that studies water storage options, acquires water rights from willing sellers, and improves water conservation.
- \$16 million to implement watershed plans and improve instream flows.
- \$30 million for Trust Land Transfers.